MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T3, 2017/ 2018

BAM7014 – ACCOUNTING FOR MANAGERS

(MBA Full Time)

30 MAY 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** pages including the cover page with **FOUR (4)** questions.

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1: (25 marks)

a) With Chinese collaborations, Dr Nik Sahel Manufacturing Sdn Bhd is a leading Malaysia manufacturer of automobile spare parts. The company employs 1,200 employees. The company also exports its spare parts to nine countries in South East Asia and Middle East. The company is in the process of preparing its operating budgets for 2019. The company has budgeted the following unit sales:

2019	Units
January	10,000
February	8,000
March	9,000
April	11,000
May	15,000

The finished goods units on hand on December 31, 2018, was 2,000 units. Each unit requires 3 pounds of raw materials that are estimated to cost an average of RM4 per pound. It is the company's policy to maintain a finished goods inventory at the end of each month equal to 20% of next month's anticipated sales. They also have a policy of maintaining a raw materials inventory at the end of each month equal to 30% of the pounds needed for the following month's production. There were 8,640 pounds of raw materials on hand at December 31, 2018.

Required:

Prepare a production budget for the first quarter of 2019.

(11 marks)

b) One of the problems with the participative budgeting is that it provides an opportunity for managers to build slack (padding the budget) into the budget.
Discuss, with an example, how managers create slack into the budgets? Is the game of padding the budget ethically correct? If yes, why and if not why not?

(14 marks)

(Total Marks: 25)

Continued..

QUESTION 2: (25 marks)

Cyberjaya International Bhd was established in 2008 and it is a multi-products company. It currently employs 700 people. Since then the company has been continuously growing as it has launched many products in the market. The company has four divisions of including a Furniture Division located in Pahang and a Motel Division, located in Selangor. The Motel Division owns and operates a line of budget motels located along major highways in Malaysia. Motel Division purchases furniture for its motel rooms. Currently, it purchases a dresser from an outside supplier for RM40. In December 2017, the manager from Furniture Division called the manager of Motel Division about selling dressers to the Motel Division. The full product cost of a dresser is RM29. The manager informed that his Division can sell all the dressers it makes to outside customers for RM40. It is estimated that the Motel Division needs 10,000 dressers each year. The Furniture Division can make up to 60,000 dressers per year.

Required:

a) Which division sets the maximum transfer price? Which division sets the minimum transfer price?

(3 marks)

b) Assuming that the company policy is that all transfers take place at full cost. What is the transfer price?

(3 marks)

c) Do you think that the transfer price will occur at the company-mandated transfer price? Why and why not?

(6 marks)

d) Assume that the company policy is that all transfer prices are negotiated by the divisions involved. What is the maximum and minimum transfer price?

(5 marks)

e) Assume that the two divisions agree on a transfer price of RM35. What is the benefit for the Furniture Division, for the Motel Division, and for the company as whole?

(8 marks)

(Total Marks: 25)

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QUESTION 3: (25 marks)

a) Putrajaya Bhd is a manufacturing company engaged in the production of leather recliners. It was established in 2003 with collaboration from Thai group of companies. Currently, the company employs 200 employees. The company produced 4,000 leather recliners. These leather recliners sell for RM400 each. The company had 500 recliners in finished goods inventory at the beginning of the year. At the end of the year, there were 700 recliners in finished goods inventory.

Putrajaya Bhd's accounting records provide the following information:

	RM		RM
Purchase of raw materials	320,000	Salary, sales supervisor	90,000
Beginning raw materials inventory	46,800	Commissions, sales persons	180,000
Ending raw materials inventory	66,800	General administration	300,000
Direct labor	200,000	Beginning WIP inventory	13,040
Indirect labor	40,000	Ending WIP inventory	14,940
Rent factory building	42,000	Beginning finished goods inventory	80,000
Depreciation, factory building	60,000	Ending finished goods inventory	114,100
Utilities, factory	11,900		

The company has supplied the above information from its accounting records for the month of October 2017. The recently appointed accounts officer has some difficulties in preparing the related financial statements due to her confusion in distinguishing between manufacturing costs and operating costs.

Required:

i. Prepare a statement of cost of goods manufactured.

(10 marks)

ii. Compute the average cost of producing one unit of product in the year

(2 marks)

iii. Prepare an income statement for external users

(8 marks)

Continued..

b) Proponents argued that Activity-based costing (ABC) originated and is widely applied in manufacturing companies because it is considered as a better method of allocating overheads costs than under the traditional costing methods.
Explain when or in which situations, a manufacturing company should adopt ABC method?

(5 marks)

(Total Marks: 25)

QUESTION 4: (20 marks)

a) Asia Electronic Bhd is located in Selangor and it was established by Tan brothers in 1999. The company is known for its high quality electromic products and componets. The company has always made its electronic components that go into their GPS systems in-house. EWC (M) Sdn Bhd has offered to supply these electronic components at a price of RM38 each. Asia Electronic Bhd uses 18,000 units of these components each year. The cost per unit of this component is as follows:

Cost element	Cost per unit (RM)
Direct material	13.75
Direct labor	16.00
Variable overhead	7.00
Fixed costs	8.25
Total	RM45.00

Assume that 45% of Asia Electronic Bhd 's fixed overhead would be eliminated if the electronic component was no longer produced in-house.

Required:

i. Show the differential cost analysis for make and buy.

(9 marks)

ii. If Asia Electronic Bhd decided to purchase the electronic component from EWC (M) Sdn Bhd, how much would its operating income increase or decrease?

(3 marks)

iii. Should Asia Electronic Bhd continue to make the electronic component or buy it from EWC (M) Sdn Bhd ? Explain.

(2 marks)

iv. Discuss other qualitative factors which Asia Electronic Bhd should consider before arriving at a final decision.

(6 marks)

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b) Joshi International produces two types of gears: A and B. Gear A has a unit contribution margin of RM200 and Gear B has a unit contribution margin of RM400. Gear A uses two (2) hours of grinding time, and Gear B uses five (5) hours of grinding time. There are 200 hours of grinding time available per week. That is only constraint.

Required:

i. Determine the optimal mix.

(3 marks)

ii. What is the total contribution margin?

(2 marks)

(Total Marks: 25)

End of Paper